

**REPORT OF THE AUDIT OF THE  
CARLISLE COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2008**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CARLISLE COUNTY SHERIFF**

**For The Year Ended  
December 31, 2008**

The Auditor of Public Accounts has completed the Carlisle County Sheriff's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees decreased by \$10,077 from the prior year, resulting in excess fees of \$9,218 as of December 31, 2008. Revenues increased by \$20,198 from the prior year and expenditures increased by \$30,275.

#### **Report Comments:**

- 2008-01 The Carlisle County Sheriff Should Eliminate The \$9,263 Deficit In His Official Fee Account
- 2008-02 The Carlisle County Sheriff Owes The Fiscal Court Excess Fees Of \$9,219 For 2008
- 2008-03 The Carlisle County Sheriff Should Make Deposits On A Timely Basis
- 2008-04 The Carlisle County Sheriff Should Maintain Supporting Documentation For All Expenditures Paid From The Official Fee Account
- 2008-05 The Carlisle County Sheriff Should Deposit All Fees Received Into His Official Fee Account
- 2008-06 The Carlisle County Sheriff Should Not Make Disallowed Expenditures
- 2008-07 The Carlisle County Sheriff's Office Should Not Pay Out Lump Sum Expense Allowances
- 2008-08 The Carlisle County Sheriff Should Pay Vendor Invoices Within A Reasonable Time To Prevent Incurring Penalties For Late Payments
- 2008-09 The Carlisle County Sheriff Should Issue Receipts In Accordance With KRS 64.840
- 2008-10 The Carlisle County Sheriff's Quarterly Report Should Be Complete And Accurate And Filed On A Timely Basis
- 2008-11 The Carlisle County Sheriff Overspent His Approved Budget
- 2008-12 The Carlisle County Sheriff Should Maintain Complete And Accurate Records
- 2008-13 The Carlisle County Sheriff Overspent The Maximum Salary Limitation Fixed By The Fiscal Court
- 2008-14 The Carlisle County Sheriff Should Issue Earning Statements To Each Employee Or Contract Laborer
- 2008-15 The Carlisle County Fiscal Court Should Review The Current Mileage Reimbursement Policy
- 2008-16 The Carlisle County Sheriff's Office Has A Lack Of Adequate Segregation Of Duties
- 2008-17 The Carlisle County Sheriff Should Strengthen Internal Controls Over Financial Reporting

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Greg Terry, Carlisle County Judge/Executive  
The Honorable Steve McChristian, Carlisle County Sheriff  
Members of the Carlisle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Carlisle County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2010 on our consideration of the Carlisle County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of



The Honorable Greg Terry, Carlisle County Judge/Executive  
The Honorable Steve McChristian, Carlisle County Sheriff  
Members of the Carlisle County Fiscal Court

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2008-01 The Carlisle County Sheriff Should Eliminate The \$9,263 Deficit In His Official Fee Account
- 2008-02 The Carlisle County Sheriff Owes The Fiscal Court Excess Fees Of \$9,219 For 2008
- 2008-03 The Carlisle County Sheriff Should Make Deposits On A Timely Basis
- 2008-04 The Carlisle County Sheriff Should Maintain Supporting Documentation For All Expenditures Paid From The Official Fee Account
- 2008-05 The Carlisle County Sheriff Should Deposit All Fees Received Into His Official Fee Account
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- 2008-08 The Carlisle County Sheriff Should Pay Vendor Invoices Within A Reasonable Time To Prevent Incurring Penalties For Late Payments
- 2008-09 The Carlisle County Sheriff Should Issue Receipts In Accordance With KRS 64.840
- 2008-10 The Carlisle County Sheriff's Quarterly Report Should Be Complete And Accurate And Filed On A Timely Basis
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- 2008-14 The Carlisle County Sheriff Should Issue Earning Statements To Each Employee Or Contract Laborer
- 2008-15 The Carlisle County Fiscal Court Should Review The Current Mileage Reimbursement Policy
- 2008-16 The Carlisle County Sheriff's Office Has A Lack Of Adequate Segregation Of Duties
- 2008-17 The Carlisle County Sheriff Should Strengthen Internal Controls Over Financial Reporting

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Carlisle County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

April 15, 2010



CARLISLE COUNTY  
 STEVE MCCHRISTIAN, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

State Fees For Services:

Finance and Administration Cabinet	\$ 3,127	
Cabinet For Health and Family Services	3,761	
Sheriff Security Service	<u>2,100</u>	\$ 8,988

Circuit Court Clerk:

Fines and Fees Collected		1,680
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Fiscal Court		103,356
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County Clerk - Delinquent Taxes		525
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Commission On Taxes Collected		49,641
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Fees Collected For Services:

Auto Inspections	1,335	
Accident and Police Reports	276	
Serving Papers	6,200	
Carrying Concealed Deadly Weapon Permits	<u>744</u>	8,555

Other:

Sheriff's Add-on & Advertising Fees	4,570	
Election Commissions	900	
Return of Fugitives	901	
Miscellaneous	<u>120</u>	6,491

Borrowed Money:

Bank Note		<u>7,500</u>
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Total Revenues		<u>186,736</u>
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The accompanying notes are an integral part of this financial statement.

CARLISLE COUNTY  
 STEVE MCCHRISTIAN, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2008  
 (Continued)

Expenditures

Operating Expenditures :

Personnel Services-

Deputies' Salaries	\$	54,439
Part-Time Salaries		3,810
Other Salaries		2,000

Contracted Services-

Labor		405
Advertising		806

Materials and Supplies-

Office Materials and Supplies		2,885
Uniforms		240
Equipment		5,397
Computer Expense		1,641

Auto Expense-

Mileage		18,000
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Other Charges-

Conventions and Travel		1,452
Dues		330
Postage		215
Transporting Prisoners		1,011
Carrying Concealed Deadly Weapon Permits		255
Cell Phone Expenses		1,300
Education		270
Fire Replacement		8,809
Miscellaneous		133

Debt Service:

Notes		7,500
Interest		500

Total Expenditures		111,398
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The accompanying notes are an integral part of this financial statement.

CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2008  
(Continued)

Expenditures (Continued)

Less: Disallowed Expenditures		
Overdraft Fees	\$	50
Interest/Fees on Line of Credit		300
Cash Advance		200
Finance Charges		223
Alcoholic beverage		5
No supporting documentation		4,060
Cell Phone Expense Allowances		1,300
		<u>\$ 6,138</u>
Total Allowable Expenditures		<u>105,260</u>
Net Revenues		81,476
Less: Statutory Maximum		<u>68,733</u>
Excess Fees		12,743
Less: Training Incentive Benefit		<u>3,525</u>
Balance Due Fiscal Court at Completion of Audit		<u><u>\$ 9,218</u></u>

The accompanying notes are an integral part of this financial statement.

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2008  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Carlisle Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Carlisle County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2008  
(Continued)

Note 4. Drug Fund

The Carlisle County Sheriff maintains a drug forfeiture fund. The account is to be funded by court-ordered forfeiture of money or funds received from the sale of forfeited assets, and interest received on deposits of forfeiture funds. The funds are to be used for various law-enforcement operations, equipment, and education. As of January 1, 2008, the Drug Fund had a beginning balance of \$264. During the year, no funds were deposited and the only funds expended were \$120 for bank service charges, leaving an ending balance of \$144 as of December 31, 2008.

Note 5. Deputy Account

The Carlisle County Sheriff's Office established a Deputy Fund in 2003 for the purpose of paying deputy salaries. As of January 1, 2008, the deputy fund has a beginning balance of \$20. There was no activity in the account during the calendar year 2008 leaving an ending balance of \$20 as of December 31, 2008.

CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2008

Assets

Cash in Bank	\$	2,426	
Deposits in Transit		2,036	
Collected Receivables		34,046	
Receivables Due:			
Due From 2007 Tax Account-			
Commissions		5,473	
			<hr/>
Total Assets			43,981
			<hr/>

Liabilities

Paid Obligations:				
Outstanding Checks		\$	910	
Outstanding Liabilities			37,598	
			<hr/>	
Total Paid Obligations				38,508
Unpaid Obligations:				
Carlisle County Fiscal Court-				
Excess Fees - 2008			9,218	
Fee Account			4,147	
Payroll Expenses:				
Stephanie Caldwell	\$	633		
Christopher Harper		403		
Carlisle County Treasurer		335	1,371	
		<hr/>	<hr/>	
Total Unpaid Obligations				14,736
				<hr/>
Total Liabilities				53,244
				<hr/>
Total Fund Deficit as of December 31, 2008				\$ (9,263)
				<hr/>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Greg Terry, Carlisle County Judge/Executive  
The Honorable Steve McChristian, Carlisle County Sheriff  
Members of the Carlisle County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Carlisle County Sheriff for the year ended December 31, 2008, and have issued our report thereon dated April 15, 2010. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Carlisle County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations identified as 2008-16 and 2008-17 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Carlisle County Sheriff's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations identified as 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, 2008-06, 2008-07, 2008-08, 2008-09, 2008-10, 2008-11, 2008-12, 2008-13, 2008-14, and 2008-15.

The Carlisle County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Carlisle County Fiscal Court, and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

April 15, 2010

## COMMENTS AND RECOMMENDATIONS



CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2008

STATE LAWS AND REGULATIONS:

2008-01 The Carlisle County Sheriff Should Eliminate The \$9,263 Deficit In His Official Fee Account

The Carlisle County Sheriff has a deficit of \$9,263 for 2008 due to \$6,138 in expenditures that did not have any supporting documentation or are not an allowable expense under state law and a county payment of \$3,125 that was not deposited into the fee account. We recommend that the Carlisle County Sheriff eliminate the deficit by depositing \$9,263 from his personal funds into his official fee account.

*Sheriff Steve McChristian's Response: No monies are missing from the Carlisle County Sheriff's office they said deficit is from disallowable expenditures per the audit standards. These expenditures are being reviewed with the sheriff, fiscal court and county attorney.*

2008-02 The Carlisle County Sheriff Owes The Fiscal Court Excess Fees Of \$9,218 For 2008

The Carlisle County Sheriff's Office currently owes the fiscal court \$9,218 in excess fees for 2008. For the past several years, the Sheriff has been transferring the excess fees from the current year to the next year's fee account instead of making a final settlement with the fiscal court. During 2008, the Sheriff's Office transferred \$18,000 from the 2007 fee account to the 2008 fee account, and then transferred \$13,853 from his 2008 fee account to his 2009 fee account. KRS 134.310 requires the Sheriff to annually settle his accounts no later than September 1 of each year. Upon approval of the final settlement, the Sheriff must pay to the county treasurer all money that remains in his hands and must pay any additional amount charged against him as a result of the settlement. We recommend that the Carlisle County Sheriff pay \$9,218 to the fiscal court for 2008 excess fees. We also recommend that the Carlisle County Sheriff annually make a final settlement with the fiscal court by September 1.

*Sheriff Steve McChristian's Response: All excess fees are monies received by the Carlisle County Sheriff's office and returned to the Carlisle County Fiscal Court. In past years these monies have been used to pay a deputy these monies are considered excess because all monies after Dec. 31<sup>st</sup> are to be returned to fiscal court and must go through proper motion procedures.*

CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2008  
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2008-03 The Carlisle County Sheriff Should Make Deposits On A Timely Basis

The Carlisle County Sheriff's Office made deposits, on average, twice a month. KRS 68.210 gives the State Local Finance Officer the authority to establish minimum accounting procedures, which includes depositing receipts intact on a daily basis into a federally insured financial institution. We recommend that the Carlisle County Sheriff deposit public funds on a daily basis.

*Sheriff Steve McChristian's Response: All monies in the possession of the Carlisle County Sheriff's office have been deposited. This problem has been addressed and the Sheriff's office will make more timely deposits.*

2008-04 The Carlisle County Sheriff Should Maintain Supporting Documentation For All Expenditures Paid From The Official Fee Account

Expenditures of \$4,060 were disallowed due to no supporting documentation. KRS 68.210 gives the State Local Finance Officer the authority to establish minimum accounting procedures, which includes maintaining adequate documentation that supports all expenditures paid from the official fee account. Without any documentation, auditor was unable to determine if expenditures were necessary, reasonable and/or for official use. We recommend that the Carlisle County Sheriff maintain supporting documentation for all expenditures paid from the official fee account.

*Sheriff Steve McChristian's Response: All monies have been accounted for and this problem has been addressed. The Sheriff's office will keep all receipts pertaining to the functions of the Sheriff's office.*

2008-05 The Carlisle County Sheriff Should Deposit All Fees Received Into His Official Fee Account

The Carlisle County Sheriff received \$3,125 from the fiscal court on a vehicle insurance claim but the sheriff did not deposit these funds into his official fee account. The Sheriff stated that he used these funds to pay on a personal vehicle loan he has at the bank. KRS 64.850, prohibits any county official from using public funds for personal expenses. We recommend that the Carlisle County Sheriff deposit all fees collected into his official fee account and refrain from using public funds for personal expenses.

*Sheriff Steve McChristian's Response: The vehicle in questioned is owned by the Sheriff and leased to the county through the Fiscal Court. This procedure in Carlisle County was in affect prior the Sheriff taking office. The Sheriff would like a better method of providing vehicles for the Sheriff's office but has been unable to change the policy to date; however, policy change is in discussion with the fiscal court. This issue was not brought to our attention until late 2009 when the audit for 2007 was completed.*



CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2008  
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2008-06 The Carlisle County Sheriff Should Not Make Disallowed Expenditures

The Carlisle County Sheriff paid \$300 out of the fee account in interest and fees on a personal bank loan. The Carlisle County Sheriff also received \$200 cash from the bank for overpayment of the same personal bank loan. The Carlisle County Sheriff purchased out of the fee account an alcoholic drink for \$5 while at the sheriff's convention. The Carlisle County Sheriff's official fee account also incurred \$50 in overdraft fees. These types of expenditures are not allowable based on Funk v. Milliken, 317 S.W.2<sup>nd</sup> 499 (KY 1958). We recommend that the Carlisle County Sheriff reimburse \$555 from personal funds and refrain from using public funds for any expenditures that are prohibited by statute.

*Sheriff Steve McChristian's Response: The loan in question is not a personal loan; however the loan is in the Sheriff's name. The Sheriff's department borrowed the money so that it would be able to make salary payments and expenses on time. The overpayment refund was received during the 2009 ice storm and it was an oversight by the department and will be repaid. The overdrafts have refunded by the bank and as well the sheriff will reimburse money spent on a beer.*

2008-07 The Carlisle County Sheriff's Office Should Not Pay Out Lump Sum Expense Allowances

KRS 64.710 states that no public officer or employee shall receive lump sum expense allowances for personal or official expenses, except where such allowances are expressly provided by statute or are specifically appropriated by the General Assembly. The Carlisle County Sheriff and all his employees received lump sum amounts totaling \$1,300 for cell phone expenses. We recommend the sheriff consider entering into an office cell phone plan to be used solely for official business.

*Sheriff Steve McChristian's Response: The cell phone payments for all officers were not addressed until the 2007 audit which was not completed until late 2009. The policy regarding cell phones for the officers has been changed.*

2008-08 The Carlisle County Sheriff Should Pay Vendor Invoices Within A Reasonable Time To Prevent Incurring Penalties For Late Payments

The Carlisle County Sheriff paid several invoices as much as four months late incurring \$223 in finance charges. KRS 65.140 requires vendor invoices to be paid within 30 days of receiving the invoice. Also, Technical Audit Bulletin 93-002 states that any finance charges due to late payment is not an allowable expense of the fee account. We recommend that the Carlisle County Sheriff reimburse the \$223 paid in finance charges. We also recommend that the Carlisle County Sheriff pay invoices within a reasonable time to prevent such finance charges.

*Sheriff Steve McChristina's Response: These bills were from 2008 immediately after the Court house fire and the office had to reestablish itself by purchasing equipment to run the office.*

CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2008  
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2008-09 The Carlisle County Sheriff Should Issue Receipts In Accordance With KRS 64.840

According to KRS 64.840, all fee officials shall issue receipts for all fines, fees and taxes collected. The Carlisle County Sheriff does not issue receipts for all funds collected. We recommend that the Carlisle County Sheriff issue receipts for all monies collected in accordance with KRS 64.840.

*Sheriff Steve McChristian's Response: The Carlisle County sheriff's department maintains check stubs for all payments made by check. All payments received in cash have always been issued receipts. The sheriff's office will issue receipts for check payments in the future.*

2008-10 The Carlisle County Sheriff's Quarterly Report Should Be Complete And Accurate And Filed On A Timely Basis

The Department for Local Government requires that the quarterly financial report include the status of all funds in the official's charge during the calendar year to date. The Carlisle County Sheriff's Quarterly Report did not include the status of the Drug Fund, Deputy Fund, Franchise Tax Fund or the Tax Escrow Fund. The Department for Local Government also requires that the quarterly financial report be submitted to the State Local Finance Officer by the 30<sup>th</sup> day following the close of each quarter. The Carlisle County Sheriff did not submit the 2008 quarterly financial reports on a timely basis. We recommend that the Carlisle County Sheriff submit a complete and accurate quarterly financial report by the 30<sup>th</sup> day following the close of each quarter.

*Sheriff Steve McChristian's Response: This problem has been examined by our office and has been corrected.*

2008-11 The Carlisle County Sheriff Overspent His Approved Budget

During our audit, we noted the Carlisle County Sheriff's operating expenditures exceeded the budget approved by the Carlisle County Fiscal Court. The Carlisle County Fiscal Court approved the County Sheriff's budget for official expenses at \$105,000; however, the County Sheriff expended \$124,285.

The state local finance officer requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15<sup>th</sup> of each year. KRS 68.210 states that the administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe a system of uniform accounts for all counties and county officials.

We recommend the Carlisle County Sheriff monitor his budget throughout the year and request budget amendments as necessary from the fiscal court, before year end.

*Sheriff Steve McChristian's Response: The sheriff's office works under an estimated budget. On a yearly basis the Sheriff presents an actual figure budget to the fiscal court and then the budget is amended by motion. This year a budget was approved but not done by motion.*

CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2008  
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2008-12 The Carlisle County Sheriff Should Maintain Complete And Accurate Records

KRS 68.210 and KRS 134.160 require the sheriff to maintain minimum accounting records. Auditor noted several deficiencies in the Sheriff's accounting records, which could be considered, in the aggregate, as a material weakness.

- Pre-numbered three part receipt form should be issued for ALL receipts
- Deposits should be made intact and on a timely basis
- Daily checkout sheets should be prepared and agree to funds deposited
- Personal funds should be kept separate from public funds
- Disbursements should be by check only
- Quarterly Financial Report should be complete and accurate
- An Annual financial statement should be prepared and published

We recommend that the Carlisle County Sheriff maintain complete and accurate records in accordance with state laws and regulations.

*Sheriff Steve McChristian's Response: These issues have been noted and will comply with.*

2008-13 The Carlisle County Sheriff Overspent The Maximum Salary Limitation Fixed By The Fiscal Court

During our audit, we noted the Carlisle County Sheriff overspent his maximum salary limitation as fixed by the Fiscal Court by \$2,402. The Carlisle County Fiscal Court fixed the Deputies' salary limit at \$48,800; however, the Sheriff expended \$51,202, excluding overtime.

KRS 64.530(3) states, "the fiscal court shall fix annually the maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant."

We recommend the Carlisle County Sheriff monitor his payroll expenditures during the year and obtain any necessary amendments, before year end.

*Sheriff Steve McChristian's Response: Due to the Courthouse fire, an additional employee was needed on a temporary basis. This office overspent \$2402.00 during this time.*

CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2008  
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2008-14 The Carlisle County Sheriff Should Issue Earning Statements To Each Employee Or Contract Laborer

The Carlisle County Sheriff employed some part time help during tax session. This employee was paid \$2,000 without any deductions being withheld, or being issued an IRS Form 1099. The IRS regulations define employee versus contract labor, and for each type of relationship the employee should receive an earnings statement for tax purposes. We recommend that the Carlisle County Sheriff review the IRS regulations and comply with these regulations by issuing an earnings statement to each employee and contract laborer employed by the sheriff's office.

*Sheriff Steve McChristian's Response: The employee hired after the Courthouse fire was responsible for filing her taxes as a subcontractor.*

Auditor Reply: The Sheriff has an obligation to issue an IRS Form 1099 to the subcontractor.

2008-15 The Carlisle County Fiscal Court Should Review The Current Mileage Reimbursement Policy

Under the current mileage reimbursement policy the Carlisle County Sheriff received \$18,000 for mileage while the county paid for all the gasoline and insurance premiums for the sheriff's vehicles. The Fiscal Court should assess whether this policy is the most appropriate use of public funds. We also recommend that an official mileage policy be written and approved by fiscal court.

*Sheriff Steve McChristian's Response: The sheriff would like change in the way the Sheriff's cars are handle by the county as well.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

2008-16 The Carlisle County Sheriff's Office Has A Lack Of Adequate Segregation Of Duties

During our review of the internal control structure as required by governmental auditing standards, the following deficiencies in the control environment over revenues and expenditures were noted:

- The Sheriff's bookkeeper performs all the financial duties in the office including collecting all the money, preparing all the deposits, preparing all the daily checkout sheets and posting all the transactions to the receipts ledger.
- She is also responsible for preparing and signing the checks with no second signature required and posts these to the disbursements ledger.
- She also performs the bank reconciliations.

CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2008  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:  
(Continued)

2008-16 The Carlisle County Sheriff's Office Has A Lack Of Adequate Segregation Of Duties  
(Continued)

There was no documentation of any oversight or other compensating controls. The Sheriff should segregate duties over revenues and expenditures or should implement the following compensating controls to limit the severity of these internal control weaknesses.

- The Sheriff should periodically prepare the daily deposit and compare it to the daily checkout sheet prepared by the bookkeeper. He should also compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. This should be documented by signing and dating the bank deposit, daily checkout sheet, and receipts ledger.
- The Sheriff should compare the quarterly financial report to the receipts and disbursements ledgers for accuracy. Any differences should be reconciled. This should be documented by signing and dating the ledgers and quarterly financial report.
- The Sheriff should periodically compare invoices to payments and require dual signatures on all checks, with one being the Sheriff. This should be documented by initialing and dating the invoices.
- The Sheriff should review the monthly bank reconciliation. Any differences should be reconciled. This should be documented by signing and dating the bank reconciliation and checkbook.

*Sheriff Steve McChristian's Response: The sheriff's office doesn't have the funding or the manpower to hire a separate officer to segregate the duties of the office.*

2008-17 The Carlisle County Sheriff Should Strengthen Internal Controls Over Financial Reporting

The Carlisle County Sheriff, as an elected official, is responsible for the design and implementation of policy and procedures that will ensure receipts and disbursements are recorded properly and financial reports are materially stated. Under the current control environment, the Carlisle County Sheriff's quarterly financial report was materially misstated. We recommend the Carlisle County Sheriff strengthen internal controls over the recording of receipts and disbursements and financial reporting. Such controls should include accounting for the numerical sequence of issued receipts, making daily deposits, preparing daily checkout sheets, and paying for official expenses by check only. A review of daily checkout procedures should also be performed. This review should include agreeing the daily checkout sheet to the batched totals of daily receipts, the posting to the receipt ledger, and the bank deposit.

CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2008  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:  
(Continued)

2008-17 The Carlisle County Sheriff Should Strengthen Internal Controls Over Financial Reporting (Continued)

*Sheriff Steve McChristian's Response: Due to funding, this sheriff's office does not have monies to employ separate officers to oversee internal controls.*

Auditor's Reply: The procedures noted above do not involve separate officers or overseeing internal controls but do enumerate several internal control procedures that are not being followed in the Sheriff's office. The procedures could be implemented with existing staff.

